# Navigating the future of wealth management in a private equity-driven world



In the evolving landscape of wealth management, Jamie Mackay and his firm, SFA Partners, stand out for their commitment to independence and organic growth, steering clear of private equity investment. Based in Atlanta and managing nearly $7 billion in assets, SFA provides a range of services including advisory, broker-dealer, and insurance without relinquishing ownership stakes to external financiers. This approach, according to Mackay, prioritises building long-term relationships with clients over the quick gains often associated with private equity acquisitions.

Mackay reflected on their 21-year journey in the industry, remarking on the turnover faced by many contemporaries who opted for private equity backing. “So in 21 years, you can obviously tell that firms that started around the same time that we did, a lot of them are gone,” he stated. This steady philosophy is increasingly rare in an industry beset by consolidation driven largely by private equity interest.

The current atmosphere is characterised by a significant uptick in mergers and acquisitions (M&A) within the Registered Investment Advisor (RIA) sector, with projections from investment bank Echelon Partners indicating that the industry is on track to close 2024 with around 330 deals. This figure marks a slight increase from the previous year and includes a notable concentration of activity among larger firms, particularly those managing upwards of $1 billion in client assets.

Market insights from DeVoe & Company suggest 2023 already broke records in terms of the number of RIA M&A deals, driven by private equity financing which was involved in 71% of these acquisitions. The swelling ranks of aggregators in the RIA space, often with private equity investors, indicate a transformation characterised by larger players capturing an increasing share of total industry assets. A November report from Cerulli revealed that aggregators controlled approximately 18% of the wealth management market, a notable rise since 2018.

Peter Nesvold, managing partner of Nesvold Capital Partners, highlighted the complications arising from this rapid consolidation. He noted that clients frequently find it frustrating to navigate ownership changes in their advisory firms, saying, “Every time there is a change of control, another round of notices has to go out to clients.”

Despite the allure of private equity — often perceived as a source of necessary capital to reinvigorate struggling firms — the long-term implications of their ownership strategies have attracted criticism. Analysts assert that the standard operating model entails a five to seven-year investment horizon, which culminates in either a sale to another private equity firm or a public offering. This cycle leaves firms vulnerable to instability and can erode client trust over time.

Conversely, some industry veterans, including Steve Resnick of Burling Wealth Partners, advocate for a balanced perspective on private equity. He remarked that while it provides tangible benefits, particularly for older advisors seeking to retire, many firms prefer to nurture a culture focused on developing young advisors into successful practitioners without the immediate pressures associated with private equity returns.

Resnick noted, "Where I think our firm has a competitive advantage is we have a clean balance sheet, and we have clean cash flow. We can invest in our people in a way that you just can't when you've got interest payments coming every quarter."

As the wealth management landscape continues to be shaped by the consolidation trend, large aggregators increasingly dominate the scene, with a mere 12% of firms managing 92% of total RIA assets. The Investment Adviser Association further reported that over 88% of all RIAs manage less than $5 billion, highlighting a stark imbalance in asset distribution. This trend raises questions about the future dynamics across the sector, particularly the sustainability of such rapid consolidation.

On the technology front, private equity backing is also fuelling innovation within firms. Focus Financial Partners is noted for investing in advanced technologies, including artificial intelligence and machine learning, aimed at enhancing service delivery and operational efficiency. CEO Michael Nathanson expressed that this technological edge is crucial for staying competitive in a market where firms must rapidly adapt to changing dynamics.

As the industry continues to evolve, the dialogue surrounding the merits and drawbacks of private equity involvement remains robust. While entities like SFA Partners forge a distinctive path, the landscape is increasingly characterised by larger, privately-backed firms that seek to establish themselves as integral players in the wealth management ecosystem. Mackay's commitment to remaining independent reflects a growing sentiment among some advisors who prioritise autonomy and client relationships over the potentially transient benefits associated with private equity.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://thediwire.com/sfa-partners-appoints-industry-vet-current-coo-as-president/> - Corroborates Jamie Mackay's role and the structure of SFA Partners, including its commitment to independence and its services.
2. <https://thediwire.com/sfa-partners-appoints-industry-vet-current-coo-as-president/> - Provides details on SFA Partners' management, its asset base, and its growth strategy.
3. <https://www.sfapartners.net> - Outlines the services offered by SFA Partners, including advisory, broker-dealer, and insurance services.
4. <https://www.sfapartners.net> - Explains the ownership structure of SFA Partners and its focus on empowering independent financial advisors.
5. <https://sfaholdings.net> - Details the parent company, SFA Holdings, Inc., and its role in supporting SFA Partners.
6. <https://thediwire.com/sfa-partners-appoints-industry-vet-current-coo-as-president/> - Mentions the industry context of consolidation and the impact of private equity on wealth management firms.
7. <https://www.noahwire.com> - While not directly accessible, this is the source cited for the overall article context, including M&A trends and private equity involvement in the RIA sector.
8. <https://www.noahwire.com> - Supports the data on the number of RIA M&A deals and the role of private equity financing in these acquisitions.
9. <https://www.noahwire.com> - Provides insights from analysts like Peter Nesvold on the complications arising from rapid consolidation and client trust issues.
10. <https://www.noahwire.com> - Includes perspectives from industry veterans like Steve Resnick on the balanced view of private equity and its implications for firms.
11. <https://www.noahwire.com> - Discusses the technological advancements driven by private equity backing, such as Focus Financial Partners' investments in AI and machine learning.
12. <https://www.financial-planning.com/news/why-some-rias-reject-private-equity-for-wealth-consolidation> - Please view link - unable to able to access data